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State of Montana

Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

MONTANA ECONOMIC DEVELOPMENT BOARD

DEPARTMENT OF COMMERCE

Financial Audit

For the Fiscal Year Ended June 30, 1987

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STATE OF MONTANA

Office of the Legislative Auditor

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SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
JAMES GILLETT
FINANCIAL-COMPLIANCE AUDITS
JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:
JOHN W. NORTHEY

October 1987

The Legislative Audit Committee
of the Montana State Legislature:

This audit report contains our opinion letter on the financial statements of the Montana Economic Development Board of the Department of Commerce for the fiscal year ended June 30, 1987. We performed the audit for the purpose of expressing an opinion on the board's financial statements. Any findings disclosed by our audit were discussed with management and will be reported as part of our scheduled biennial audit of the Department of Commerce. Therefore, this report contains no recommendations.

We would like to thank the administrator, his staff, and Department of Commerce personnel for their cooperation and assistance during the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

MONTANA ECONOMIC DEVELOPMENT BOARD

DEPARTMENT OF COMMERCE

Financial Audit for the

Fiscal Year Ended June 30, 1987

Members of the audit staff involved in this audit include: Mary Bryson, Jim Manning, Laurie Evans, and Joan Anderson.

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APPOINTED AND ADMINISTRATIVE OFFICIALS

MONTANA ECONOMIC DEVELOPMENT BOARD

BOARD MEMBERS

	Term Expires*
D. Patrick McKittrick, Chairman, Great Falls	1987
G. Steven Brown, Helena	1987
John C. Orth, Butte	1987
Jackson L. Schutte, Billings	1987
Yvonne Snider, Lewistown	1987
Jeremiah R. Sullivan, Helena	1987
Patrice LaTourelle, Whitefish	1987

BOARD STAFF

Robert M. Pancich	Administrator
Jan Kalgaard, CPA	Accountant
Terry Spalinger	Loan Officer
David Ewer	Bond Program Manager
Debra McKee	Secretary/Administrative Assistant
Jeanie Farmer	Secretary/Administrative Assistant

* The 1987 Legislature combined the Montana Economic Development Board (MEDB) with the Montana Board of Investments, the MEDB board dissolved as of June 30, 1987, and a new Board of Investments was formed.

INTRODUCTION

We performed the annual financial audit of the Montana Economic Development Board (MEDB), Department of Commerce, for the fiscal year ended June 30, 1987. The objective of the audit was to determine if the board's financial statements present fairly its financial position for the fiscal year ended June 30, 1987, and the results of operations and changes in financial position for the fiscal year then ended.

BACKGROUND

The MEDB was established by the 1983 Legislature for the purpose of strengthening, diversifying, and stabilizing the Montana economy and to increase Montana employment and business opportunities. MEDB administers five programs discussed in the following sections. MEDB is attached to the Department of Commerce for administrative purposes.

The 1987 Legislature merged the Montana Economic Development Board and the Montana Board of Investments and attached the new board to the Department of Commerce effective July 1, 1987. Consequently, the Montana Economic Development Board was dissolved and a new nine-member Montana Board of Investments formed.

Coal Tax Loan Program

The Coal Tax Loan Program uses a revolving loan program. MEDB makes no direct loans; instead, it purchases loans from approved financial institutions. Coal tax loans may finance the acquisition of land, buildings, or equipment and provide working capital. Loans are made to businesses that have the potential to benefit the Montana economy. The resources available to provide coal tax loans consist of in-state investment of 25 percent of all revenues deposited in the Permanent Coal Tax Trust Fund since June 30, 1983; principal repayments of existing loans made from the In-state Investment Fund; and until fiscal year 1986-87, 15 percent of the annual interest earnings on the In-state Investment Fund. The 1987 Legislature

appropriated all of the fiscal year 1986-87 investment earnings to the state's General Fund.

Montana Capital Company Program

The Montana Capital Company Program is designed to make venture capital available within the state. Through the program, the state offers a 25 percent tax credit incentive (up to $25,000) to investors in qualified Montana capital companies, which in turn must invest these funds in Montana businesses. Three companies are qualified as capital companies as of June 30, 1987. The state issued $127,500 in tax credits in fiscal year 1986-87.

Industrial Revenue Bond Program

The Pooled and Stand-alone Industrial Development Bonding (IDB) Programs serve to provide a source of long-term funds for Montana businesses. The Pooled IDB Program combines the debt financing of a number of smaller businesses into one bond issue. The issuing costs of the bonds are prorated among the borrowers and the interest rate is established when the bonds are sold. Pooled IDB Program loans can finance most commercial, industrial, and real estate development projects. MEDB did not issue any bonds under the Pooled IDB Program during fiscal year 1986-87.

The MEDB issued bonds on behalf of one borrower in the Stand-alone IDB Program during fiscal year 1986-87. MEDB acts as a conduit issuer of the bond. The bonds issued under the Stand-alone IDB Program do not constitute a debt or liability to the board or the state of Montana. Therefore, the Stand-alone bond issue is not reflected on MEDB's financial statements. The scope of this activity is disclosed in footnote IV of the financial statements.

Montana Cash Anticipation Financing Program

MEDB issued $27.48 million in Montana Cash Anticipation Financing (MCAF) bonds on July 15, 1986. The bonds were used for purchasing tax anticipation notes from local governments. A prior 13

month bond issue totalling $18.575 million, issued in 1985, was paid off on September 27, 1986.

Intermediate Term Capital Pool

In March 1987, the MEDB issued $6.5 million in Series 1987 Intermediate Term Capital Pool (INTERCAP) bonds. These bonds are used to finance intermediate term (two to five year) capital needs of local governments. The estimated borrowing needs of various local governments were pooled and the bonds issued to finance these projects. The cost of issuance is born by all users of the pool.

AUDITOR'S OPINION LETTER
AND AGENCY FINANCIAL STATEMENTS

SUMMARY OF AUDIT OPINION

We issued an unqualified opinion on the financial statements of the Montana Economic Development Board for the fiscal year ended June 30, 1987. An unqualified opinion indicates that a user of the financial statements may rely on the amounts presented in the statements.

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JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial statements of the Enterprise and Non-Expendable Trust Funds of the Montana Economic Development Board as of and for the year ended June 30, 1987, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1, the financial statements present only the Enterprise and Non-Expendable Trust Funds of the Montana Economic Development Board and are not intended to present fairly the financial position or the results of operations and changes in financial position of the state of Montana in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of the Montana Economic Development Board at June 30, 1987, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

October 2, 1987

MONTANA ECONOMIC DEVELOPMENT BOARD
ENTERPRISE FUND
BALANCE SHEET AS OF JUNE 30, 1987

Assets	Development Finance
Current:	
Cash in Treasury	$ 51,177
Cash with Fiscal Agent	2,194,174
Interest Receivable	120,338
Notes/Loans Receivable	307,094
Due from Other Funds	3,145
Interest Purchased	18,232
Investments	29,300,173
Prepaid Expenses	517
Total Current	31,994,850
Long Term:	
Notes/Loans Receivable	8,760,953
Investments	1,228,467
Capitalized Cost of Issue	656,254
Equipment	35,800
Accumulated Depreciation	(7,774)
Total Long Term	10,673,700
TOTAL ASSETS	$42,668,550
Liabilities	
Current:	
Accounts Payable	$ 2,790
Due to Other Funds	18,555
Accrued Expenses	190
Accrued Interest Payable	298,597
Current Bonds Payable	6,680,000
Total Current	7,000,132
Long Term:	
Inter-Entity Loans Payable	150,000
Bonds Payable	35,020,000
Compensated Absences	32,992
Deferred Cost of Issue Recovery	367,744
Total Long Term	35,570,736
Total Liabilities	42,570,868
Retained Earnings	97,682
TOTAL LIABILITIES & EQUITY	$42,668,550

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	Development Finance
Revenue	
Application Fees	$ 1,500
Bond Issue Fees	156,480
Investment Earnings	3,069,146
Operating Transfer	174,733
Cost of Issue Recovery	19,068
Total Revenue	3,420,927
Expenses	
Personal Services	233,799
Contracted Services	21,051
Supplies & Materials	3,036
Communications	12,661
Travel	9,241
Rent	11,923
Repairs & Maintenance	1,625
Indirect/Administration Costs	20,809
Other	3,123
Depreciation Expense	4,613
Debt Service	2,984,705
Total Expenses	3,306,586
Net Income	114,341
Retained Earnings July 1, 1986	(1,201)
Prior Period Adjustment	(15,458)
Adjusted Retained Earnings July 1, 1986	(16,659)
Retained Earnings June 30, 1987	$ 97,682

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD
ENTERPRISE FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1987

Sources of Working Capital	Development Finance
Operations:	
Net Income	$ 114,341
Depreciation	4,613
Amortization of Cost of Issue	19,873
Total From Operations	138,827
Other:	
Bond Proceeds	27,300,000
Compensated Absences	18,117
Total Other	27,318,117
Total Sources of Working Capital	27,456,944
Uses of Working Capital	
Capitalized Cost of Issue	253,643
Equipment Purchase	210
New Loans	2,179,904
Amortization of T-Bond Premium	3,655
Recognize Deferred Cost of Issue Recovery	19,068
Other	29,201
Total Uses of Working Capital	2,485,681
NET INCREASE IN WORKING CAPITAL	$ 24,971,263
Elements of Net Increase in Working Capital	
Cash in Treasury	$ (71,578)
Cash with Fiscal Agent	295,887
Interest Receivable	(103,445)
Accounts Receivable	(768)
Notes/Loans Receivable	(1,743,906)
Due From Other Funds	(9,381)
Investments	14,407,173
Capitalized Cost of Issue	(72,130)
Prepaid Expenses	122
Interest Purchased	18,232
Accounts Payable	2,166
Due to Other Funds	2,723
Accrued Expenses	1,460
Accrued Interest Payable	179,708
Current Bonds Payable	12,065,000
NET INCREASE IN WORKING CAPITAL	$24,971,263

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD
NON-EXPENDABLE TRUST FUNDS
BALANCE SHEET AS OF JUNE 30, 1987

	Montana In-State Investment	Loan Loss Reserve
Assets		
Current:		
Cash in Treasury	$ 29,563	$ 2,759
Interest Receivable	36,435	574
Investments	19,259,500	111,200
Total Current	19,325,498	114,533
Long-Term:		
Notes/Loans Receivable	22,386,985	-0-
Total Long-Term	22,386,956	-0-
TOTAL ASSETS	$41,712,463	$114,553
Liabilities and Fund Balance		
Current Liabilities		
Due to Other Funds	$ 473,616	$ -0-
Property Held in Trust	-0-	450
Total Current Liabilities	473,616	450
Fund Balance Reserved	41,238,847	114,083
TOTAL LIABILITIES AND FUND BALANCE	$41,712,463	$114,533

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD
NON-EXPENDABLE TRUST FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	Montana In-State Investment	Loan Loss Reserve
Revenue		
Application Fees	$ -0-	$ 68,909
Investments Earnings	2,812,547	4,595
Total Revenue	2,812,547	73,504
Expenses	-0-	-0-
Income Before Transfers	2,812,547	73,504
Operating Transfers In	9,318,096	3,338
Operating Transfers Out	2,812,547	-0-
Net Income	9,318,096	76,842
Fund Balance as of July 1, 1986	31,920,751	37,241
Fund Balance as of June 30, 1987	$41,238,847	$114,083

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD
NON-EXPENDABLE TRUST FUNDS
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	Montana In-State Investment	Loan Loss Reserve
Sources of Working Capital		
Net Income	$9,318,096	$76,842
Uses of Working Capital		
Loans Receivable	9,269,389	-0-
Total Uses	$9,269,389	$ -0-
Net Increase in Working Capital	$ 48,707	$76,842
Elements of Net Increase in Working Capital		
Cash in Treasury	$ 16,816	$ 1,639
Interest Receivable	18,907	574
Accounts Receivable	(19,000)	(317)
Investments	505,600	75,396
Due to Other Funds	(473,616)	-0-
Property Held in Trust	-0-	(450)
Net Increase in Working Capital	$ 48,707	$76,842

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1987

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Montana Economic Development Board (MEDB) uses the accrual basis of accounting. Under the accrual basis of accounting, expenses are recorded when incurred and revenues are recorded when earned.

The financial statements are prepared from the Statewide Budgeting and Accounting System (SBAS) with adjustments, and information contained in the bond trustee statements. The statements include the financial activity administered by the Montana Economic Development Board in the Enterprise and Non-Expendable Trust Funds of the MEDB. Accordingly, these financial statements are not intended to fairly present the financial position, results of operations, or changes in financial position of the state of Montana.

b. Presentation of Funds and Programs Contained Therein

The MEDB uses two types of funds, the Enterprise and Non-Expendable Trust.

Enterprise Fund

The MEDB uses the Enterprise Fund to account for its Development Finance Programs which include municipal financing for local governments and long-term fixed-rate financing for businesses.

The following programs are considered municipal finance activities:

- Montana Cash Anticipation Financing (MCAF) which provides tax anticipation financing to local governments.

- Intermediate Term Capital Pool (INTERCAP) provides funds to local governments to finance two to five year capital expenditures.

The programs considered business finance activities are:

- Coal Tax Loan Program (CTL) invests the funds of the Montana In-State Investment Fund by making funds available to Montana borrowers.

- Montana Capital Companies (MCC) issues tax credits to investors of qualified Montana companies.

- Industrial Development Bond Program (IDB) provides funds to purchase economic development loans.

The Industrial Development Bond Program sells bonds to create the funds necessary to finance the projects eligible for that program. Bonds were not issued during fiscal 1987 as the enabling federal legislation for tax-exempt IDB's sunset in December 1986.

Non-Expendable Trust Fund

The Montana In-State Investment Fund (MISIF) represents a portion of the constitutionally dedicated Coal Tax Trust Fund made up from deposits of a portion of coal severance taxes collected. Initiative 95, passed by voters in November 1982, stated that 25 percent of the funds deposited in the Coal Severance Tax Trust Fund will be invested in Montana. As a result, the MISIF was created. The MISIF is a Non-Expendable Trust Fund. During fiscal year 1986-87, $9,318,096 of coal severance tax collections were transferred to the MISIF.

The interest earnings of the MISIF were appropriated by the Legislature for fiscal 1983 through fiscal 1986. Interest was divided 85 percent to the General Fund and 15 percent to the MISIF. The 1987 Legislature appropriated all of the fiscal 1987 investment earnings of the MISIF to the General Fund.

During the 1985 Legislature, authority was given to the board to deposit service charges and up to .25 percent of interest on coal tax loans to the Loan Loss Reserve Fund. The 1987 Legislature raised the percentage from .25 percent to 2 percent. The purpose of the Loan

Loss Reserve Fund is to protect the Montana In-State Investment Fund from losses. The Loan Loss Reserve Fund is accounted for as a Non-Expendable Trust Fund.

d. Annual and Sick Leave

Annual and sick leave costs are recorded when leave is taken and then adjusted at year-end for the outstanding liability. Upon termination, qualifying employees with unused accumulated annual and sick leave receive 100 percent payment on annual leave and 25 percent payment on sick leave. The acquisition of an employee and his accumulated leave balances from his previous agency increased the Board's compensated absences balance by $15,903.

e. Fixed Asset Depreciation

Fixed assets are recorded in the Development Finance Program. The assets are depreciated on a straight-line basis, with salvage value, in accordance with state policy.

II. EMPLOYEES' RETIREMENT SYSTEM

Montana Economic Development Board employees are covered by the Public Employees' Retirement System, which is administered by the state of Montana. Under this system, the state contributes 6.417 percent of an employee's gross wages, while the employee contributes 6 percent of his/her wages. The MEDB's contribution to the retirement system for the fiscal year ended June 30, 1987, was $12,566. The increase over fiscal 1986 resulted from the purchase of past benefits for one of the MEDB's staff.

III. INVESTMENTS

The deposits and investments in the Enterprise Fund are restricted by the bond trust indentures to: government and agency obligations, certificates of deposits, repurchase agreements and investment agreements. Deposits and investments in the other funds must be made with Montana banks or in the Short-Term Investment

Pool (STIP) of the Montana Board of Investments. The deposits and investments are combined on the MEDB's financial statements.

Deposits. At year end, the Enterprise Fund held $24,795,341 in deposits. These funds were fully collateralized with securities held by the MEDB's Trustee in the MEDB's name. The other funds held no deposits during the year.

Investments. The long-term investments are carried at amortized cost, and the short-term investments are carried at cost. A summary of the MEDB's investments by accounting entity and security type follows.

Short-Term Investments

	Government Securities	Investment Pools	Totals
Enterprise Fund			
Carrying Amount	$2,868,032	$ 1,636,800	$ 4,504,832
Market Value	2,883,839	1,636,800	4,520,639
Non-Expendable Trust Fund (MISIF)			
Carrying Amount	---	19,259,500	19,259,500
Market Value	---	19,259,500	19,259,500
Non-Expendable Trust Fund (LLR)			
Carrying Amount	---	111,200	111,200
Market Value	---	111,200	111,200
TOTALS			
Carrying Amount	2,868,032	21,007,500	23,875,532
Market Value	2,883,839	21,007,500	23,891,339

Long-Term Investments

Enterprise Fund			
Carrying Value	$1,228,467		$1,228,467
Market Value	1,451,212		1,451,212

The MEDB's investments in government securities are held by the MEDB's Trustee in the MEDB's name.

During the year, the Enterprise Fund used repurchase agreements to manage the cash made available by the bonds issued by the MEDB.

IV. BOND ISSUES

a. "Pooled" Industrial Revenue Bonds

The MEDB issues bonds for the purpose of providing funds to purchase economic development loans in the state of Montana. The bonds are limited obligations of the MEDB payable solely from and secured by revenues and assets of the MEDB. The state's liability is limited to only the pledged assets of the MEDB.

Included within the revenues and assets of the MEDB are the amounts deposited in the MEDB's reserve accounts. If the balance in the MEDB's Capital Reserve Account falls below the amount established by the indenture, the Governor is required to request that the legislature appropriate funds to restore the balance. The Legislature may, but is not legally obligated to, appropriate funds to correct any deficiency.

A summary of the board's fully registered bonds follows:

Bond Issue	Date Issued	Amount	Interest Dates	Series Retirement Dates
1984 Series A-G	12/15/84	$3,650,000	3/15 & 9/15	3/86 - 3/06
1985 Series A-L	10/15/85	$4,925,000	3/15 & 9/15	3/87 - 3/07

Series J of the 1985 Bond Issue Series A-L was recalled on March 15, 1986 per the provisions of the Indenture of Trust.

Outstanding balances on bond issues as of June 30, 1987 follow:

Bond Issue	Current	Long Term
1984 Series A-G	$ 75,000	$3,485,000
1985 Series A-L*	105,000	4,055,000

* Excluding Series J, retired 3/86.

b. "Stand-Alone" Industrial Revenue Bonds

The MEDB issued bonds on behalf of one borrower under the Stand-Alone Program during fiscal 1987. The bonds issued under this program do not constitute a debt or liability to the MEDB or the state of Montana. Assets and revenues of this borrower are pledged to repay the bonds. Accordingly, the Stand-alone bond issue is not recorded on the MEDB's financial statements.

The following Stand-alone Industrial Revenue bonds were issued:

Zenith Management Company	$5,130,000.

c. Montana Cash Anticipation Financing (MCAF) Bonds

The MEDB retired $18.575 million in Series 1985 bonds on September 27, 1986. The MEDB issued $27.480 million in bonds on July 15, 1986 which mature on December 30, 1988. Bonds are not subject to redemption prior to maturity. The bonds are limited obligations of the MEDB and are not a debt or liability of the state of Montana. The bonds are payable from repayments of principal and interest on Tax or Revenue Anticipation Notes purchased by the MEDB from participating local government units.

The Series 1985 and 1986 Bonds are secured by an irrevocable loan agreement between the MEDB and the Montana Board of Investments which authorizes the Bond Trustee to request from the Board of Investments, and requires the Board of Investments to lend money for deposit in the MEDB's Montana Cash Anticipation Financing Program Reserve Account B in an amount equal to any deficiencies therein for payment of principal and interest on the Series 1986 Bonds.

d. Intermediate Term Capital Pool (INTERCAP)

On March 16, 1987, the MEDB issued $6.5 million in Series 1987 Variable Rate Demand Bonds which will be due March 1, 1995. These bonds may be redeemed, at the bondholder's option, any March 1 prior to maturity. The MEDB did not enter into an arms-length financing

agreement to convert bonds "put" but not resold into some other form of long-term obligation. Accordingly, these bonds have been recorded as current liabilities of the Enterprise Fund.

The Series 1987 bonds are limited obligations of the MEDB and are payable solely from: 1) repayments of principal and interest on MEDB loans to local governments, 2) investment income, and 3) amounts derived from an irrevocable Loan Agreement between the MEDB and the Board of Investments. The agreement authorizes the Trustee to request funds from the Board of Investments for deposit to the MEDB's reserve account in an amount equal to any deficiencies therein for payment of principal and interest on the Series 1987 bonds. These bonds are not a debt or liability of the state of Montana.

V. LOANS PAYABLE

The Montana Economic Development Board currently has a $150,000 loan to the Development Finance Program from the General Fund. The purpose of the loan is to fund the costs of operation for the account until earnings on bond proceeds are available to cover the costs of operation associated with the account. The Legislature originally gave the board authority to carry the loan over four years (but extended the loan to June, 1989). There have been no repayments.

VI. TRANSFERS

The Coal Tax Loan Program operations are supported by a General Fund appropriation. The General Fund appropriation is then transferred into the Development Finance Fund where the actual program expenses are recorded.

The coal severance tax collection transfers are the current year's portion of the coal severance taxes allocated to the MEDB. The transfer to the General Fund is 100 percent of the investment earnings of the Montana In-State Investment Fund.

VII. COAL TAX LOAN COMMITMENTS

The board makes firm commitments to fund loans from the Montana In-State Investment Fund. These commitments have expiration dates and may be extended according to the board's administrative rules. As of June 30, 1987, the board had committed to purchase 21 loans from Montana lenders totalling $5,962,215.

VIII. SUBSEQUENT EVENTS

a. Merger with Montana Board of Investments

The 1987 Legislature passed Senate Bill 298, Chapter 581, Laws of 1987, which combined the functions of the MEDB and the Board of Investments into a new Board of Investments appointed by the Governor. The MEDB's existing programs and responsibilities will transfer to the new Board of Investments.

b. Certificate of Participation Program

On August 20, 1987, the Board of Investments purchased $18,795,000 in tax anticipation notes of local governments and resold the notes to a trustee. The trustee then issued Certificates of Participation in the notes on behalf of the local governments. If the local government fails to repay the note when due, the board agrees to purchase a refunding note from the local government to facilitate the repayment of the original note.